

HSIE Results Daily

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Results Reviews

- **Reliance Industries** : Our ADD rating on Reliance Industries (RIL) with a price target of INR 3,015/sh is premised on (1) recovery in the O2C businesses; (2) EBITDA growth in the digital business, driven by improvement in ARPU, subscriber addition, and new revenue streams; and (3) potential for further value unlocking in the digital and retail businesses. RIL's consolidated EBITDA at INR 425bn, grew +11% YoY, and came above our estimate, largely driven by Retail segment EBITDA growth of +18% YoY and Digital segment EBITDA growth of +9% YoY. APAT at INR 190bn (-2% YoY; +10% QoQ) came in above our estimates, also supported by higher-than-expected other income.

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Reliance Industries

Strong growth in consumer businesses

Our ADD rating on Reliance Industries (RIL) with a price target of INR 3,015/sh is premised on (1) recovery in the O2C businesses; (2) EBITDA growth in the digital business, driven by improvement in ARPU, subscriber addition, and new revenue streams; and (3) potential for further value unlocking in the digital and retail businesses. RIL's consolidated EBITDA at INR 425bn, grew +11% YoY, and came above our estimate, largely driven by Retail segment EBITDA growth of +18% YoY and Digital segment EBITDA growth of +9% YoY. APAT at INR 190bn (-2% YoY; +10% QoQ) came in above our estimates, also supported by higher-than-expected other income.

- **Oil to chemicals (O2C) segment:** O2C EBITDA grew by only +3% YoY to INR 168bn, impacted by weak downstream chemical margins. However, O2C EBITDA grew 19% QoQ largely due to higher throughput, higher domestic product placement and lower impact of SAED during the quarter. Crude throughput came in higher-than-expected at 19.8mmt (flat YoY, +6% QoQ), while production meant for sale stood at 17.1mmt (flat YoY, +4% QoQ).
- **Oil & gas:** Revenue/EBITDA came in at INR 65/56bn, up 42/48% YoY; however, it declined 4/4% QoQ due to a decline in average gas realisations. The average KG D6 production for Q4 was at 30mmscmd, up 50% YoY, flat QoQ. The average gas realisation in Q4 was at USD 9.53/mmbtu (-16% YoY, -1% QoQ).
- **RJPL:** Revenue improved to INR 338bn (+13% YoY, +4% QoQ) due to a sharp rise in net subscriber addition of 10.9mn. The total customer base stands at 481.8mn, as of Q4. ARPU came in at INR 181.7 (+2% YoY, flat QoQ).
- **Reliance Retail (RR):** Net and core revenue grew ~10% YoY to INR 676.1/504bn. Digital + New Commerce contribution remains healthy at ~18% of core retail sales. Growth was largely underpinned by F&L/Consumer Electronics, while grocery sales slowed down. We suspect this may be done to backstop the underlying online operations' burn. EBITDA grew 18% YoY to INR 56.3bn. EBITDAM expanded 58bps YoY to 8.3% (HSIE: 7.9%). RR added 62 stores (net) in Q4, taking the store count to 18,836 and the retail area stood at 79.1mn sq. ft.
- **Debt:** RIL's Q4 consolidated net debt declined to INR 1,163bn (vs net debt of INR 1,194bn, as of Dec-23), owing to moderation in capex. Total capex incurred in Q4 declined to INR 232bn (-48% YoY, -23% QoQ).
- **Change in estimates:** We raise our FY25/26 consolidated EPS by 0.8/2.2% to INR 116.3/123.8 to factor in better-than-expected performance from Jio and retail segments, delivering a revised target price of INR 3,015.
- **Valuation:** We use EV/EBITDA to value downstream at Mar-25E EV/e, retail on peer benchmarked EV/e and E&P and Jio on DCF. The stock is currently trading at 12.1x Mar-25E EV/EBITDA and 25.5x Mar-25E EPS.

Financial summary—consolidated

Year Ending March (INR bn)	Q4 FY24	Q3 FY24	QoQ (%)	Q4 FY23	YoY (%)	FY22	FY23	FY24P	FY25E	FY26E
Net Sales	2,365	2,251	5.1	2,128	11.1	7,000	8,778	9,011	11,994	12,823
EBITDA	425	407	4.6	384	10.8	1,105	1,422	1,622	1,847	1,953
PAT	190	173	9.8	193	(1.8)	584	667	696	787	838
Diluted EPS (INR)	28.0	25.5	9.8	28.5	(1.8)	86.4	98.6	102.9	116.3	123.8
P/E (x)						34.3	30.0	28.8	25.5	23.9
EV / EBITDA (x)						20.5	16.0	14.1	12.1	11.3
RoE (%)						7.9	8.9	9.2	9.5	9.3

Source: Company, HSIE Research

ADD

CMP (as on 22 Apr 2024) INR 2,960

Target Price INR 3,015

NIFTY 22,336

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,740	INR 3,015
EPS %	FY25E +0.8%	FY26E +2.2%

KEY STOCK DATA

Bloomberg code	RELIANCE IN
No. of Shares (mn)	6,766
MCap (INR bn) / (\$ mn)	20,024/2,40,331
6m avg traded value (INR mn)	16,898
52 Week high / low	INR 3,025/2,139

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	9.1	28.7	38.3
Relative (%)	6.0	16.1	14.8

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	50.30	50.31
FIs & Local MFs	16.68	17.09
FPIs	22.14	22.06
Public & Others	10.88	10.54
Pledged Shares	0.0	0.0

Source : BSE

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Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Harshad Katkar	Reliance Industries	MBA	NO
Nilesh Ghuge	Reliance Industries	MMS	NO
Akshay Mane	Reliance Industries	PGDM	NO
Jay Gandhi	Reliance Industries	MBA	NO
Prasad Vadnere	Reliance Industries	MSc	NO

1 Yr Price movement

Disclosure:

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